

Keynote Address

**College of Performance Management
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Introduction

Thank you for that kind introduction.

Good morning, ladies and gentlemen. It's a real pleasure to be here with you today. I was happy to accept when Eleanor Haupt asked me to deliver the government keynote today because this fifteenth annual conference is also a first. It marks the beginning of what I am certain will be a most rewarding future for the new College of Performance Management as part of the Project Management Institute, the world's foremost association for professionals in the project management discipline—I can say that because I've been a PMI member since 1995. Before I turn to my keynote theme, I'd like to take just a few minutes to talk about how we transition to that future.

PMA, PMI and the Future

Many of you know that I was strongly in favor of making the Performance Management Association part of PMI, so I was gratified when the membership overwhelmingly approved moving in that direction. The vote was consistent with the PMA founders' vision. From the beginning, they insisted PMA should first establish itself and consider merging with another organization only when Earned Value Management was recognized as an integral part of project management. I became convinced the time was right after I joined PMI in 1995 and saw for myself that EVM was being accepted. To me, PMA's choice was simple: either lead the way in this evolution, or stand on the sidelines while PMI moved out on its own. The joining of PMA and PMI will result in something greater

than the sum of the parts. It will be a major step toward truly integrated project management, with earned value as the cornerstone.

We can make that happen, but it will take some planning. Consider for a moment the subject of EVM conferences. Five or six years ago, this annual conference and the fall conference at Tysons Corner were your only real options. Today, people have to make some tough choices because there is no possible way one could attend all the EVM events.

In the past year alone, world-class EVM events were held in Florida, Tysons Corner, Stockholm, London, Tokyo, and at the PMI conference in Long Beach. This year, Sweden and Australia will again have conferences and the Society for Cost Estimating and Analysis will increase the EVM content at its June conference in San Antonio. And those are only the major events. EVM now is included in conferences nominally devoted to topics like risk management and procurement. PMA helped make this possible just as our founders hoped it would, but now that the genie is out of the bottle all of us must accept that EVM is not “our thing” any longer.

As the defense industrial base continues to shrink and government continues to downsize, the associations that support them must adapt. For example, the National Security Industrial Association and the American Defense Preparedness Association joined forces to form the National Defense Industrial Association. And as the industry and professional associations combine, they have to decide how best to serve their constituents. That includes conferences.

When you arrived at the conference hotel, you no doubt saw many familiar faces, old friends from the EVM community. That’s always nice, but it should prompt you to ask how we are doing at reaching the managers who can benefit most from what we have to offer. Our training and expertise in EVM is second to none—are we limiting our audience by concentrating on EVM and preaching to the converted?

The time has come to ask how many EVM conferences the world can sustain. Without prejudging the answer, I believe we would agree that in the United States, we should continue the big Tysons conference and look

for ways to increase the EVM content at the annual PMI international conference. But something has to give. Does that mean we should forego this conference? I don't know—maybe we should—but I urge you to consider the possibility before members are forced to vote with their travel budgets and with their feet. If we do choose to end, let's do it like Wayne Gretzky—with style and at the top of our game.

I offer two suggestions for PMI and its new College for the year and a half between now and the Year 2000 PMI conference. First, let's make a concerted effort to introduce College members and EVM at PMI chapter meetings. And second, let's develop a plan to spread the EVM word at the conference in 2000.

If you've ever presented a paper at the PMI conference, you know it is managed professionally and you must submit your abstract very early in the year. That gives us about eight months from now to organize our approach. We have a couple of alternatives. The PMI conference is organized around tracks corresponding to the various interest groups: Aerospace & Defense, Manufacturing, Information Systems, and so on. I suppose we could hold a College conference within the PMI conference—and that might be a good way to offer our excellent EVM training. However, it could also mean that only people predisposed to EVM would come—people like us.

I think there's a better alternative, a better way to reach PMs. Let's combine our individual experience with our EVM knowledge and submit papers to the other tracks. For example, someone from a defense manufacturing plant that uses EVM could present in the manufacturing track; someone from a software house could present on EVM and software risk management in the Information Systems track, and so on. Next year's PMI track coordinators should be encouraged to include EVM papers when appropriate in their programs as a positive way to assimilate the College of Performance Management into PMI. CPM could organize volunteers who would like to submit papers. This is a golden opportunity for us to influence the future direction of project management.

In that same vein, CPM members should submit articles to the PMI family of publications. That includes a monthly magazine, PM Network. We have to decide how the Measurable News will fit in to the PMI publications or if it will continue as a CPM publication. In any event, we now have the means to reach a worldwide membership of well over 40,000. If we do our part, the project management profession will be better for the effort and maybe the question of conferences will work itself out in the process.

Transitions

While I'm on the subject of transitions I'd like to tell you about my own imminent career milestone. My keynote today nearly became my first post-retirement appearance. By now it's common knowledge that I will end more than 35 ½ years of government service on May 31. (It was to have been the end of April, but the departure date was extended.) Strange as it sounds, I've worked that long and still am below the minimum government retirement age, so this will be an early-out to help meet downsizing targets. And that's why it came up so suddenly.

Before I decided to take this big step, I called some key people for their advice. The first of course was Gary Christle, my boss for the past 17 years, who I reached at home on Sunday—so he *knew* I was serious. I also spoke with Bob Pattie, Art Anderson, Walt Berkey and other industry leaders and with Bill Gibson, the point guy for EVM at the Defense Contract Management Command. All agreed with me that the essential policy pieces are in place to carry through the Department of Defense's reinvention of EVM as a management tool. And we all agreed that practice in the field does not match the policy ideal as much as we would like. We still have work to do.

But I'd also like to invite you to reminisce with me about how much we've accomplished and to reflect on our individual roles. As we stand on the threshold of the millennium, I look back with satisfaction on a public service career that spanned more than one third of the last century. I spent about half of that time—almost 17 years—at the Pentagon, arriving there late in the summer of 1982. Being a slow learner, it took me some time to find my way around the building and around the bureaucracy, but

the EVM world took a turn for the better in 1989 when my office was moved from the Comptroller over to Acquisition. That's when I assumed my most important and challenging role—that of change agent.

In the early 1990s, Gary and I pretty well figured out what was wrong with the way the Department of Defense implemented Cost/Schedule Control Systems Criteria, or C/SCSC. He presented a vision for improvement at the 1993 Tysons conference, then empowered me to flesh it out. Since then, all these conferences have included updates on how we are doing, steadily counting off the improvements as we took these actions:

- We redefined EVM from financial reporting to project management
- We abolished the old C/SCSC committee structure in favor of making DCMC the DoD executive agent
- We implemented the Integrated Baseline Review process
- We integrated EVM with risk management
- We invited industry to replace C/SCSC with an industry standard and then adopted the draft industry Earned Value Management Systems guidelines in DoD regulation, and
- We fostered extraordinary international cooperation among government and industry

Which brings me closer to my keynote theme—the globalization of EVM. But first, let me say two things about my DoD legacy. First, my work is not quite finished. I will adopt or will have ready for adoption the industry standard before I leave. That means Appendix VI of DoD 5000.2-R will be deleted and the body of that regulation will instead point to the industry EVMS standard, ANSI-EIA 748. For the first time in more than 30 years, industry, not government, will be responsible for the principles governing its own management systems.

Second, some people in government as well as industry still are not taking advantage of the EVM improvement initiatives. The reasons are diverse, but from my perspective, things are improving steadily. Our teamwork with industry has paid off time and again as integrated product teams improved their project planning and execution skills using the integrated project management tools we have provided. There are some wonderful examples of openness and trust between contractors and their customers.

But progress can be slowed if not stopped in its tracks through resistance, and you will encounter that in any large organization. I can tell you from experience that when I am consulted on a problem contract, I almost always find that those new and improved tools have not been provided to our contractors and project management offices. And yes, I know that some IBRs still look like C/SCSC reviews but overall, I trust you will agree that things are much better today than six years ago.

That brings to mind the story Dr. Kaminski often told about trying to change behavior in DoD. He said it's like turning a supertanker—it takes a long time after you turn the wheel before the ship comes about, assuming the wheel is connected to the rudder. As large as DoD is, I can assure you there are many places where the connection between policy and practice is broken.

Obviously, no one organization can fix all the problems. But I can tell you that my office understands them and will continue its leadership under the direction of Gary Christle and his boss, the new Director of Systems Acquisition, John Wilson. For your part, people in both industry and government must point out those broken connections, using any appropriate means. We then need to communicate lessons learned, the positive as well as the negative.

Keynote Theme

Moving now to the keynote theme of EVM worldwide, you will notice that our international colleagues too are facing the hard choices I mentioned earlier. Otherwise you would have heard directly today from the International Performance Management Council chairman, Martin

Blackmore of the United Kingdom Ministry of Defence. Martin sends you his warm regards and best wishes as do our counterparts from Australia, Canada, New Zealand and Sweden.

By way of background, you may recall that international EVM cooperation began in the early 1990s when first Australia and then Canada embarked on searches for best practices in contract cost and schedule management. Both found their way to the Pentagon. Let me emphasize that point, because it's a common thread in our international relations: when our friends and allies seek to improve their management of complex projects, they find that the DoD model is the most highly evolved.

I guess that should not be a surprise because DoD is the birthplace of modern project management. The Department pioneered many of the management techniques being used worldwide. However, our track record in the early 1990s was less than enviable due to spectacular overruns and failures on several programs. We did not attempt to gloss over our problems, but shared both our successes and failures as openly as possible with other countries.

By 1992, our cooperation began to solidify when we put EVM on the agenda for the Australia/Canada/USA Defense Forum in Washington. The next year, we founded the International Performance Management Council with charter members including those three countries plus Sweden. With each new country, our horizons expanded and we learned new things. For example, a defense official from the Swedish embassy corrected me at the first IPMC meeting. He said that Sweden had not implemented C/SCSC on the Gripen Fighter program as I had assumed, but had implemented earned value.

The distinction was important because Sweden, like other countries, knew our history with C/SCSC and did not wish to import the bureaucracy along with the technique. But before long they had sufficient confidence to join the IPMC as a full member.

Formalizing Cooperation

The form of our international participation varies among nations. In 1995, Australia, Canada and the United States formalized our interlocking bilateral arrangements by signing a trilateral Memorandum of Understanding. Sweden did not wish to participate on that relatively formal level, so we instead signed a simple exchange of letters and did the same when New Zealand and the United Kingdom joined the IPMC later. This uncomplicated working model has accommodated all interested nations to date.

The objectives of international cooperation are the same both for the MoU and for the IPMC. In fact, we tied them together by making the IPMC the body that administers the MoU. Those common objectives for each country are:

- To use wisely the funds provided for defense
- To cooperate with industry and
- To strengthen the industrial base

In order to achieve those objectives, the IPMC engages in these types of activities:

- Exchange information on national policies and procedures
- Seek to recognize contractors reciprocally in each country
- Improve project management using earned value
- Engage in outreach to industry, academia and professional associations

The MoU is nearly halfway through its original ten-year life, subject to extension. Meanwhile, both the MoU and the IPMC remain open to participation by the governments of other friendly foreign countries.

The IPMC is a low overhead activity. We meet in conjunction with conferences and make maximum use of email and the internet. We have but a few guiding principles. First, we know that project management practices will differ among countries. A one-size-fits-all model simply cannot be transferred from one to another. We respect those differences and keep our discussions on a high enough plane to avoid getting bogged down in details.

Second, we communicate openly. This is facilitated by the third principle—that members must know project management and their governments' performance management policies. Finally, we operate by consensus. This forum is not about the relative size of our countries or our budgets, it is about ideas. And in the realm of ideas, all are equal.

Results of Cooperation

You might ask if such a loosely organized group can accomplish any practical results. The answer is yes. For example, we have assisted one another on contractor reviews when one of us awards a contract to a company in another member's country. Australia awarded contracts to two US contractors, E-Systems Greenville (now Raytheon) and Kaman Helicopters, that were not previously accepted as compliant with C/SCSC or EVMS.

I participated on the first multinational Canadian validation at SPAR Aerospace, a Canadian Space Agency contractor, in 1994,. And just last September, I participated on the Royal Australian Air Force review for the Lead-In Fighter Hawk contract at British Aerospace in the United Kingdom. Australia was kind enough to invite Martin Blackmore to visit the review team on site. That experience will be instructive for the UK as it weighs how to implement EVM with its industry.

I have watched with pleasure as our intergovernmental cooperation has noticeably improved communication between government and industry in other countries. And as industry observes the governmental cooperation, it has found that cooperation on a global level is in its interest as well. Last October at Tysons Corner we facilitated a meeting among the authors of

national standards for project management, with representatives from Canada, UK, Australia, Japan and the USA.

The consensus was that the US industry ANSI standard for Earned Value Management Systems is the de facto world recognized best practice. Again, there is a practical consideration. Not long ago, British Aerospace bought a sizable interest in Sweden's Saab Military Aircraft, a trend that is likely to continue in Europe as the global defense market shrinks. Having a common set of enterprise project management principles will help these international consortiums manage more efficiently while helping their government customers reach their objectives.

Our IPMC outreach activities have been most productive. I am absolutely delighted that both Gary Christle and John Wilson have agreed to maintain DoD's strong support for them after I move on.

Current EVM Activities

I'd like now to comment briefly on EVM activities in each IPMC member nation and give you a report on my trip to Japan in February 1999 before concluding my remarks.

Australia is our oldest EVM partner. We have grown accustomed to seeing our Aussie friends in the US since 1991, and this conference continues their welcome presence. Australia has a well-defined EVM process in Defence contracting, with a strong international influence because many of those contracts are awarded overseas. Australia therefore has become a leading influence in the EVM world by bringing new ideas to places where EVM is well established, such as the E-Systems and Kaman reviews I mentioned earlier, and by introducing it where it is not. Thanks to our trilateral MoU, those Australian validations are recognized by Australia, Canada and the US.

Speaking of new ideas, Australia pioneered the idea of payment by earned value and is making it work. I'm sure that comment raised the collective blood pressure in the room by several points. Because the US has a well-established way to make progress payments, the idea of paying by EVM

sounds alien. But in other places, it's a natural extension of EVM. Think about it—EVM provides objective performance information linked to the contract target. Why would you NOT pay based on that? Australia's approach deals effectively with all the expected objections, accommodating such things as advance payments and material measurement by balancing payment by EVM when appropriate—for example, for labor—with payment by milestones.

Some people worry that paying by EVM will cause contractors to game the EVM system to improve their cash flow. That's a valid concern, but the IBR should help us avoid such problems. And of course we should use past performance assessments effectively to make sure that if the system is gamed, it doesn't happen more than once. I think that payment by EVM, now being introduced in the US by Australia, is an issue our community should begin to address with a view to providing recommendations for policy makers.

Australia will hold its fifth government/industry EVM conference this September in Canberra. New Zealand has not been very active in the EVM area, although it remains a valued member of the IPMC. Of course, New Zealand is allied with Australia and participates jointly on programs such as the ANZAC frigate.

Canada also has a well-defined EVM process, but not just in defense. Canada's policy is administered by Public Works and Government Services Canada for all government agencies and relies on a voluntary national standard as opposed to government regulation. As Canada's defense spending has declined in recent years, Canadian industry and government have cooperated on an EVM standard for smaller programs. The new standard could be a model to replace our Cost/Schedule Status Report, perhaps by revising the ANSI standard to provide for a scaleable approach.

Just one month from now, Sweden will hold its third annual EVM conference in Stockholm. Sweden has a substantial defense industry, including well-known companies like Saab, Ericsson, and Celsius Tech. Sweden decided two years ago to make EVM part of its acquisition

reform. Its approach is to cooperate closely with its contractors, based on their long history of working together.

Our colleague Sven Antvik can't be here today because he is busy completing the writing on his doctoral dissertation on EVM, which he hopes to defend as early as this summer. Unfortunately, Sven is writing in Swedish, but he promises to write articles based on his research in English.

The United Kingdom is the newest IPMC member. The decision to join was taken following several years of informal contact and was announced during a series of EVM events in England last year: A public conference in London, an industry user group meeting in Oxford, and a meeting with defense leaders at Abbey Wood, Bristol, the home of the Defence Procurement Agency.

EVM in the UK began in industry, not the government. For example, Rolls Royce Aircraft Engines adopted EVM and sent several employees to our Defense Systems Management College at Fort Belvoir. The Ministry of Defence traditionally has preferred a "hands-off" acquisition approach, but there are signs that may be changing. When Martin Blackmore attended the Australian review outbrief in September, he was impressed by the open sharing of information between British Aerospace and the Royal Australian Air Force on a \$700 million firm-fixed price contract.

Martin was accompanied at the review by representatives of the Australian High Commission in London. The High Commission took part in the review and sponsored EVM training for its employees afterward, to which they invited people from the Ministry of Defence. So once again, we see our IPMC cooperation making an important contribution as a new member works through its own issues regarding EVM. On June 4, immediately following the Stockholm conference next month, MoD will hold a one day seminar in Abbey Wood to discuss those issues and to broaden EVM understanding throughout the Defence Procurement Agency.

Japan

The internationalization of EVM took a huge step forward recently in Japan. Throughout 1998, teams from the Japan Ministry of Construction traveled the world, seeking best practices in project management. They visited Australia, the US, UK, Germany and Italy and a broad cross section of government agencies, industry, academia and professional associations. Their many site visits included MicroSoft, Boston University, UC Berkeley, AT&T, PMI and similar organizations in other countries: The University of Technology Sydney, PMI Rome, the International PM Association in Munich and the British Standards Institution in London.

Their reviews included a comprehensive benchmarking process that considered every major advance in project management since the 1950s. And like others before them, the Japanese decided at the end of the day that the world's best practice for managing complex projects is EVM based on the US Department of Defense model.

The survey teams presented their findings at a public seminar in Tokyo in February of this year, co-sponsored by the MoC and the PMI Tokyo Chapter. More than 300 people attended the seminar, from all walks of Japanese industry and government. And just as in UK last year, the sponsors arranged several side meetings with government and industry leaders.

I was honored to be the only non-Japanese speaker invited to present the international experience with EVM. I found the Japanese approach to EVM to be very well-grounded. Japan expects to have a national standard by 2002 and to have widespread implementation by 2004. Those goals sound optimistic but may be achievable because the decision to go forward was based on extensive research and represents a broad consensus.

It would be difficult to overstate how important our new affiliation with Japan could be. For starters, the MoC is the first agency to take the EVM lead for any nation completely independent of the defense establishment. This will present us with a new challenge when the Ministry requests Japanese membership in the IPMC, which could occur shortly. But that is

a welcome challenge and an extraordinary opportunity because the MoC is a trend setter in Japan due to its extensive power and reach.

The MoC represents some 15% of Japan's gross domestic product. Its industrial base comprises more than 400,000 contractors and millions of employees. MoC soon will combine with the Ministry of Transportation and also has ties to other government agencies such as the Ministry of International Trade and Industry. And the PMI Tokyo Chapter is affiliated closely with MoC.

Given this broad base, I believe we will see Japan emerge quickly as a leader in integrated project management based on earned value. As we meet here today, MoC agencies already are beginning EVM pilot projects. Japan will join us in defining project management for the new millennium by working with the IPMC, with PMI and with the international industry groups that are working to coordinate their national standards or develop an international standard.

Summary and Conclusion

In summary, we've covered a lot of ground this morning. I offered some thoughts on bringing our integrated project management talents to bear in the larger PMI universe, reviewed how the Department of Defense and its contractors changed from C/SCSC to EVMS, and gave you a glimpse of a rapidly expanding EVM world.

EVM once was identified almost exclusively with defense contracting, but those days are gone forever, replaced by increasing worldwide acceptance and cooperation. Such cooperation benefits all concerned because globalization is real and demands that we work together more effectively, whether we represent government, industry, or professional associations.

The roles among those players are changing and will continue to evolve. Government will play a lesser role in defining and mandating industrial management principles, while industry and the associations increase their respective roles. We must do all we can to increase our lines of

communication through these transitions. I will miss being involved from the government point of view, but certainly will continue as a member of several professional associations—and may even gather some experience in the industrial sector.

So while I am learning how to relax in June, my superiors will carry a message of unflagging US support for good global citizenship to Stockholm and to Abbey Wood and will carry the same message in September to Canberra. They will renew acquaintances with old friends and colleagues from the current IPMC nations and welcome our newest friends from Japan. I hope many of you will be at those conferences or others and that you too will find ways to get involved in the worldwide growth of EVM.

One final point—we have evolved from C/SPEC through C/SCSC to EVM. But the name that resonates on the world stage and better represents what we are about is “Integrated Project Management.” I suggest we take it up, understanding that while EVM and project management are not synonyms, EVM in its contemporary application is the cornerstone of effective project management.

Thank you again for inviting me to speak today. It has been a distinct honor and privilege for me to represent our community worldwide for the past several years. I look forward to spending the next two days with you and to continuing our professional relationships for many years to come.